



**Michigan Association of
Retired School Personnel**
Protecting your future

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MEMO

To: Senate Appropriations Committee

From: Matt Kurta

Re: HB 5261 (H-2 as passed by the House)

Date: December 11, 2012

Honorable Members of the Senate Appropriations Committee,

Thank you for the opportunity to offer background and support for HB 5261 (H-2) as passed last week by the House on behalf of our client, the Michigan Association of Retired School Personnel (MARSP). As you may already be aware, MARSP was established in 1951 to protect, promote and improve retirement and health benefits of Michigan public school retirees, and has over 46,000 members throughout 84 local chapters in Michigan in addition to 21 chapters in Arizona, Colorado, Florida, Tennessee, and Texas.

The Problem:

Public Act 75 of 2010 made a number of significant revisions to the Public School Employees Retirement Act, including early retirement incentives, a new requirement for employees to contribute 3% of salary to pre-fund retiree health care, and the creation of a hybrid retirement plan (Pension Plus) for new school employees. Additionally, PA 75 modified the treatment of Michigan Public School Employees Retirement System (MPERS) retirees who return to public school employment, either as direct employees or as independent or 3rd-party contractors.

PA 75 states that if a MPERS retiree who retires on or after July 1, 2010 becomes employed directly by a reporting unit (i.e., a school district, community college, or participating universities), the retiree must forfeit/suspend his or her retirement allowance and health care subsidy if they earn more than one-third of their Final Average Compensation (FAC).

If a retiree who retires on or after July 1, 2010 performs core services (such as substitute teaching) for a reporting unit but is employed by a 3rd-party or is an independent contractor, the retiree must forfeit his or her retirement allowance and health care subsidy for as long as they are performing those core services.

Retirees who retired prior to July 1, 2010 are not subject to these earnings restrictions, but rather only need abide by general salary restrictions for all retirees, such as windfall provisions in the Social Security Act.

If a retiree lives in a school district that contracts out substitute teaching services, and the retiree retired after July 1, 2010, the retiree cannot sub unless he or she either agrees to be an independent contractor or is employed by a 3rd party contractor. In either case, the retiree must agree to suspend health care & retirement benefits for as long as the retiree is employed as a sub.

The penalties and limitations in PA 75 needlessly limit the pool of knowledgeable, experienced retirees available to school districts in need of subs, and were included in PA 75 primarily to address circumstances where superintendents would retire and then return to a district as an independent contractor or through a 3rd-party while collecting MPSERS benefits. Many retirees would appreciate the opportunity to sub for a few days each school year as needed in their districts without going through the cumbersome, complicated process of temporary suspending their health care or pension benefits somehow proportionately for the days worked. While retirees do have the option today to do so in order to sub for a day or two in a district that contracts for subs via a 3rd-party, many, if not all, simply choose not to do so and both districts and their vendors are forced to look elsewhere to fill these temporary positions.

Proposed Solution:

MARSP urges you to consider retaining the language addressing substitute teachers in Subsection 9 of HB 5261 (H-2) as passed by the House. The language addresses this issue by allowing retirees to sub without penalty provided that they do not earn more than two-thirds of their Final Average Compensation in a calendar year. Additionally, the bill includes a July 1, 2014 sunset, allowing the Legislature time to evaluate the effects of this change in the next legislative session and the opportunity to reinstate the existing restrictions should it choose to do so. MARSP believes this is a reasonable approach that will allow retirees to sub a few days here and there without a significant impact on MPSERS. Additionally, in response to concerns raised from the Office of Retirement Services (ORS), MARSP would be willing to support a lower threshold of one-third of FAC before retirees serving as subs would need to suspend retiree benefits, similar to the existing one-third threshold in state law for substitute teachers employed directly by school districts.

Thank you for the opportunity to provide input on this legislation, and please do not hesitate to contact me with any questions if I can provide additional information.